Dear State Director:

It is with regret that I inform you that contracts negotiated by Paul Molloy in the name of Oxford House, Inc. were negotiated and signed without the knowledge or approval of the governing board of the corporation. Molloy, who claimed to be "chief executive officer" of Oxford House, Inc., was in fact never an officer of the corporation until July 1990, and then he was forbidden to sign contracts on behalf of the corporation.

I will explain how this peculiar and unfortunate situation came about.

First let me introduce myself. I met some of the state alcohol and drug directors shortly after passage of the Anti-Drug Abuse Act of 1988 when Molloy and I met with the NASADAD directors in Palm Springs, Calif. I have met others of you since while traveling on behalf of Oxford House. I have been associated with Oxford House from the beginning. I helped start the first Oxford House, was first president of that house, helped start the second Oxford House and was its first president, and was the first board chairman of Oxford House from 1975 until 1980. I have been connected with Oxford House during all its expansion until last October and have been to every meeting of significance since its inception. The recent Oxford House expansion was my idea. I have been an occasional consultant to the NIAAA on transitional housing for alcoholics. I mention this so you will know I understand the organization, its goals and how it got where it is.

A brief history might help. During the first 13 years of its existence, Oxford House had about 10 houses. The parent organization, Oxford House, Inc. was very informal. It had no employees, often had no bank account, and during most of the years wasn't even incorporated. The houses and the organization worked fine that way.

In October, 1987, after some of us decided the organization deserved a chance to expand, we incorporated and rewrote the bylaws. The new bylaws, among other things provided for a Founder's Committee authorized to promote Oxford House expansion and have separate bank accounts.

In November, 1988, the bylaws were changed to provide for an interim board of directors for about a year until a permanent board would replace it. (The original Oxford House board of directors was made up of the president of each house).

Problems emerged in the fall of 1988 shortly after passage of the Anti Drug Abuse Act of 1988, the one that requires each state to set aside $100,000 to lend to recovering people to open houses based on the Oxford House model. It was Molloy's association with Rep. Edward Madigan (R-Ill.) that led to inclusion of that amendment in the act.

A few months after passage, Molloy wrote an unsolicited proposal for ADADHA, a branch of the Department of Health and Human Services, in which he sought $1.5 million a year for three years to spread the Oxford House concept. In the proposal Molloy sought to become the first Oxford House employee at $120,000 per year with fringe benefits raising his comepnsation to $168,000

per year (he found a way to lump salaries together in the final proposal) and appointed himself "chief executive officer" of Oxford House.

The salary figure was more than the Secretary of Health and Human Services or any of the members of Congress who voted for the Act were making and were obviously ridiculous, and I told Molloy so. He said he was worth it and wouldn't work for less. I protested that corporate officers were elected, not self appointed. He began signing letters as chief executive officer and never stopped no matter how often he was challenged.

Molloy essentially took control of the corporation and its assets without anybody's permission, and began raising and spending money and negotiating contracts with states on his own. Foolishly, I kept trying to talk to him rather than acting through the interim board. Finally in the summer of 1989 I insisted on a board meeting, which it took about two months to arrange since four members of the seven member interim board had not even been chosen.

The interim board was composed of the Founder's Committee - Molloy, myself and Whit Holden - one member we selected, and three members chosen from Oxford House residents. At the one meeting we held I and another board member protested that we were a 501(c)(3) tax exempt corporation and certain obligations which weren't being met, and that having a self-appointed "chief executive officer" and running a recovery organization without checks and balances was unprecedented. A vote appeared in doubt because Molloy had hired two of the board members who lived in Oxford House (he later hired the third when she bacame a member of the permanent board), so I let the matter drop when Molloy agreed to work out an employment contract with the permanent board which was soon to replace us. I found the events so irregular that I left Oxford House and began doing something else.

The bylaws, at Molloy's insistence, provided for a permanent nine-member board composed of people new in recovery who still lived in Oxford Houses. Rather than negotiate an employment contract with the new board when it assumed power in early 1990, Molloy ignored them.

I became involved again about May when the board contacted me because Molloy wouldn't answer their questions, threating to quit, and even walking out of one meeting saying if the board could run Oxford House better then he could, they could have it.

The board was surprised and deeply concerned to learn that Molloy had appointed himself "chief executive officer" and had exercized total control over the corporation without consulting anyone.

On July 5, 1990, the board mailed Molloy a copy of a board resolution revoling his authority to act as Oxford House attorney and another demanding that he disclose financial data.

Molloy's respose was to claim he didn't receive the registered letter, and eight days later, to meet a deadline, he submitted a $920,000 proposal to the National Institute of Alcohol Abuse and Alcoholism. The proposal, among other things, would have Oxford House people open three methadone houses, a

total violation of the most sacred principle of Oxford House, that no one in an Oxford House uses alcohol or drugs. It also would have Oxford House open three houses for ex-prisoners. The proposal was submitted by Molloy, claiming to be CEO of Oxford House when he wasn't, and the board of directors had never approved the proposal because they had never seen it. The cover letter was signed by Charles van der Burgh, who had been chosen chief financial officer of the Founder's Committee. But he too had never been elected a corporate officer by any Oxford House board of directors.

The board of directors first saw the proposal July 15, two days after it was submitted, when Molloy brought a copy to a board meeting and mentioned that there would be plenty of expense money and money for trips for board members if it went through. The methadone section was only revealed because I leafed through it and saw a "director of methoadone programs" in an organizational chart.

It was at that July 15 board meeting with a lawyer and a CPA that Molloy admitted that he had negotiated contracts with states claiming to be Oxford House chief executive officer and that there would be trouble if the states found out.

At the next board meeting in August, all five board members (Molloy had hired one member and others quit attending meetings and were removed) spoke against linking Oxford House with methadone houses, yet they postponed voting to withdraw the proposal.